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SUBJECT: KAZAKHSTAN: LABOR MARKET CONCERNS TAKE CENTER STAGE AT
MAZHILIS ROUNDTABLE

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11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: The Nur Otan National Democratic Party of Kazakhstan co-hosted a roundtable on January 19 at the lower house of parliament (Mazhilis) to discuss the legal definition of "self-employment" and how to implement policy mechanisms to address this discreet -- if not illegal -- form of entrepreneurship. Members of parliament were more concerned about the absence of quality vocational education and the inability of Kazakhstan to respond quickly to changes in the labor market. END SUMMARY

THE SELF-EMPLOYED IN KAZAKHSTAN

13. (SBU) The Ministry of Labor and Social Protection, together with the Presidential Commission on Women's Issues and Family Demographics, commissioned a local research institute to study "self-employment" in Kazakhstan. The research, funded by the United Nations Development Fund for Women (UNIFEM), studied a sample of 300 self-employed people in the city and oblast of Almaty.

14. (SBU) There is no official definition of "self-employment" in Kazakhstan. This roundtable recommended that parliament agree on a legal definition and amend legislation regulating employment, the tax code, and licensing to formalize this informal sector of the labor market. Some parliamentarians defined self-employment as working without declaration of income while failing to pay taxes and failing to contribute to the national pension fund. (NOTE: The IRS defines self-employment as carrying on a trade or business as a sole proprietor. END NOTE).

15. (SBU) The roundtable initiated a legislative dialogue on understanding and classifying self-employment, in order to usher the more than one-third of the Kazakhstani labor force (an estimated 3 million citizens) into the legal licensing framework. Social advocates at the roundtable saw this discussion as an opportunity for the government to take a more active role in fighting poverty and advancing the rights of women and families. However, the discourse quickly became adversarial, with parliamentarians viewing

the integration of the informal sector as a long over-due task of legal compliance.

SIMPLIFY, INCENTIVIZE AND STIMULATE

¶16. (SBU) The roundtable participants suggested that the government simplify the registration (patents) procedure for the self-employed; enhance microcredit possibilities; offer tax incentives for labor legitimacy; retool the manner in which unemployment benefits are distributed; and stimulate the creation of women-owned and youth-owned businesses through the provision of technical assistance in business planning, access to finance, and retail consulting services.

¶17. (SBU) The roundtable concluded with a recommendation to appeal to international organizations (UNIFEM, UNDP, and the ILO were identified) for assistance to support and protect the self-employed in Kazakhstan.

¶18. (SBU) Advocates for the self-employed promoted mainstream labor market integration and support for those who wish to become or remain self-employed. However, members of parliament accused the self-employed of bankrupting the social welfare system, by straining the services of the state for medical attention and failing to contribute to the "greater good" of society.

SELF-EMPLOYMENT: THE RESULT OF POOR LABOR MARKET ANALYSIS?

¶19. (SBU) According to several deputies in attendance, self-employment is on the rise because of Kazakhstan's inability to teach and train individuals to meet the demands of the labor market. Deputy Svetlana Ferkho, for example, opined that university students pursue the wrong course of study. Pointing to East

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Kazakhstan oblast, where thousands of students study engineering and economics, she exclaimed, "Do we really need this many engineers and bean-counters?" She further lamented that "a specialized diploma in Kazakhstan is fast becoming a route to unemployment." Ferkho said that too many Kazakhstani students pursue international relations degrees and added tersely, "How many people do we really need with this type of degree? We have a diplomatic academy for international relations. This field of study is strictly for diplomats, not for those entering the workforce." (NOTE: Another deputy echoed these comments and recommended students pursue jobs in high demand, such as pastry chefs and seamstresses. END NOTE).

¶10. (SBU) The roundtable participants then discussed the ability of the Kazakhstani workforce to respond to the demands of the labor market. Vladimir Nekhoroshev, Deputy Leader of Nur Otan, said that "no one in Kazakhstan effectively studies the demands of the labor market -- not the Ministry of Education, not the Ministry of Labor... Kazakhstan requires a qualified cadre of specialists." His rhetorical questions resonated: "How can we prepare students for jobs that are in high demand? Even more important, how do we know what jobs in five to ten years will be in demand?"

IS THE WORLD'S OLDEST PROFESSION CONSIDERED SELF-EMPLOYMENT?

¶11. (SBU) After initial constructive comments, Deputy Nekhoroshev proved to be a distraction. Following a rant that official recognition of self-employment was "just a ploy to hide the true unemployment rate," he wondered if prostitutes would qualify as self-employed; and if so, "would 'ladies of the night' be given the same government support that this roundtable recommends?" (NOTE: In December 2009 Nekhoroshev proposed a ban on advertisements of sexual services in the media and Internet. He was unsuccessful in his bid, which garnered considerable media attention. END NOTE).

¶12. (SBU) COMMENT: The roundtable focused primarily on Kazakhstan's readiness to meet labor market demands, but did not address the more immediate and equally essential challenge of passing legislation to define and classify "self-employment." Development assistance to improve understanding of labor classification, labor market responsiveness, and the creation of a robust vocational education framework will likely be welcome at the

Ministry of Labor and Social Protection and the Ministry of Education and Science. These issues also touch on related issues of women's rights, rural development, and small business development, a niche for Kazakhstan NGOs. END COMMENT.

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